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RHMFSS/HQ USSOUTHCOM MIAMI FL
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 000233

SIPDIS
ENERGY FOR ALOCKWOOD AND LEINSTEIN, DOE/EIA FOR MCLINE
HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR MKACZMAREK
COMMERCE FOR 4332/MAC/WH/JLAO
NSC FOR DRESTREPO, RCRANDALL AND LROSSELLO
OPIC FOR BSIMONEN-MORENO
AMEMBASSY BRASILIA PASS TO AMCONSUL RECIFE
AMEMBASSY OTTAWA PASS TO AMCONSUL QUEBEC
AMEMBASSY BRIDGETOWN PASS TO AMEMBASSY GRENADA

E.O. 12958: DECL: 2020/02/26

TAGS: EPET EINV ENRG ECON VE

SUBJECT: VENEZUELA: PDVSA Director for Strategic Planning Alleges it is Open for Dialogue with U.S.

REF: 10 CARACAS 155; 09 CARACAS 1593; 09 STATE 99343

CLASSIFIED BY: Darnall Steuart, Economic Counselor, DOS, Econ;
REASON: 1.4(B), (D)

¶1. (C) SUMMARY: Fadi Kabboul, a member of PDVSA's board of directors, asserted PDVSA's openness to dialogue with the USG, and expressed interest in the US Geological Survey's survey on recoverable oil in the Orinoco Belt that effectively doubled Venezuela's estimated reserves, and the on-going debate regarding Venezuela's production numbers. He noted current Chinese difficulties in operating in Venezuela. He also shared that the Washington-based Venezuelan Energy Counselor had returned recently to Caracas to direct the planning staff of the newly formed Electricity Ministry. END SUMMARY.

¶2. (C) PETROLEUM RELATIONS: Petroleum AttachC) (PetAtt) spoke with Fadi Kabboul (Director of PDVSA) on February 18 when he was identified on the visa line by an alert Consular Officer. [NOTE: This message should be read in the context of Refs A and B that provide a counterbalance to Kabboul's forward leaning assessment of the U.S. relationship and on Venezuela's production figures. END NOTE] Kabboul shared that his brother George Kabboul, President of PDVSA subsidiary PDV Marina, had been concerned following his recent invitation to PetAtt to visit his office (Ref A) and had contacted his brother to inquire whether he might be "in trouble." Fadi Kabboul told PetAtt that his door is "always open," that he "manages the U.S. petroleum relationship," and that "we should get together." Kabboul then asked whether PetAtt remembered PDVSA Executive Vice President Eulogio del Pino's verbal invitation to PetAtt offered on the margins of the World Heavy Oil Congress in November 2009 to call his office and arrange for a meeting. [NOTE: Fadi Kabboul offered a revisionist view of history. He has never offered a meeting or claimed to be "in charge" of the U.S. petroleum relationship. Nor did del Pino offer PetAtt a meeting. END NOTE] Kabboul also stated his understanding that Venezuelan Ambassador to the U.S. Bernardo Alvarez was supposed to have a discussion with the Ambassador concerning the expired U.S. - Venezuelan MOU on Energy Cooperation. [NOTE: Following inquiries from the Venezuelan Embassy and PDVSA directors in Caracas, Post submitted a diplomatic note (Ref C) to the GBRV in September 2009 agreeing to discuss the GBRV interest in resurrecting the MOU. The

GBRV has not responded to the diplomatic note. END NOTE]

¶3. (C) Kabboul stated that he would travel to Washington, DC the week of March 1 to participate in the Energy Council's private meetings, including a Western Hemisphere Energy Roundtable on March ¶4. [NOTE: Subsequent to this meeting with Kabboul, the Ambassador agreed to address this private gathering of state legislators. END NOTE.] Kabboul said that Minister Ramirez instructed him to meet with the U.S. Department of the Interior's U.S. Geological Survey regarding a report it published in February titled "An Estimate of Recoverable Heavy Oil Resources of the Orinoco Oil Belt, Venezuela." The technical report essentially doubled the estimate of recoverable heavy oil in Venezuela's Orinoco belt. Kabboul claimed he has a meeting scheduled with the principal drafter, Christopher Schenk, of the report and is primarily interested in discussing the USGS decision to use a recovery factor of 40% in the report. [NOTE: Post contacted USGS and confirmed that it had not been approached by the GBRV or PDVSA regarding a possible meeting to discuss the report. USGS agreed to inform the Venezuela Desk if the Venezuelan Embassy requests a meeting. END NOTE.] He added that PDVSA is sending a technical delegation to visit Chevron's Bakersfield production field to understand better how Chevron has achieved a recovery rate of 70%. [NOTE: MENPET has used a 20% recovery rate in its negotiations with the IOCs. END NOTE]

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¶4. (C) OIL PRODUCTION: Kabboul claimed that MENPET's release of petroleum export documentation to British auditing company Inspectorate had settled the issue regarding PDVSA's production levels. He expressed a belief that any secondary sources that do not upwardly revise estimates of Venezuelan crude production are acting out of political motives and refusing to recognize the "transparency" the GBRV has brought to the issue. He said that domestic consumption is only 540,000 b/d. [NOTE: The majority of non-governmental estimates put Venezuelan domestic consumption above 700,000 b/d. END NOTE]

¶5. (C) PDVSA ON CHINA AND RUSSIA: Kabboul stated that negotiations with CNPC to form a mixed petroleum production company in the Junin 4 block of the Orinoco heavy oil belt had stalled and might be in jeopardy, but that negotiations with the Russian consortium for a project in Junin 6 were progressing. He claimed that the GBRV is extremely upset with Chinese companies due to the discrepancy between Chinese petroleum import statistics that suggest the PRC is profiting from Venezuelan oil purchases by diverting the crude to third markets and earning a sizable margin between the price the Chinese companies pay the GBRV and the price they receive on the open market for the same shipment. Kabboul intimated that tankers had been diverted to the U.S., Africa, and elsewhere in Asia. Furthermore, PDVSA had analyzed its crude sales to China and determined that China had only paid \$5/barrel of crude on a couple of deals.

¶6. (C) CHEVRON AND CARABOBO: Kabboul stated that according to an internal PDVSA study, Petroboscan (a PDVSA/Chevron mixed company) is the most profitable petroleum mixed company in Venezuela. He added that Chevron was the big winner in the Carabobo bid round and that Chevron President for Africa and Latin America Ali Moshiri "is great." He expects Chevron and PDVSA will finalize a mixed company agreement by the March 24 deadline announced by President Chavez.

¶7. (C) PETROLEUM COUNSELORS: Kabboul mentioned that Carlos Figueiredo, the Petroleum Counselor in the Venezuelan Embassy in Washington, DC had returned to Caracas to take up a position as the head of planning in the new Ministry for Electricity. Figueiredo has a long-standing close relationship with Electricity Minister (and former PDVSA CEO) Ali RodrC-guez). Kabboul stated that he is vetting potential replacements. [NOTE: Traditionally, the GBRV

nominates a senior PDVSA executive to serve as its Energy Counselor in Washington, DC. Kabboul preceded Figueredo in that position.
END NOTE]

¶8. (C) COMMENT: Kabboul has proven to be a reliable interlocutor over the last couple of months on basic issues, responding privately to phone messages and e-mails. He has not demonstrated an ability to engage honestly in conversations of substance, but rather toes the party line. Offers of meetings with EmbOffs, while the GBRV disregards the official USG response to requests for dialogue on substantive energy issues with the Ambassador, are disingenuous. END COMMENT.

DUDDY